

28 April 2015

ASX Market Announcements
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

APPENDIX 4C – Q3FY15 QUARTERLY CASH FLOW STATEMENT

In accordance with Listing Rule 4.7B, **Emerchants Limited (ASX: EML) (Company or Group)** submits the following activities and appendix 4C cashflow statement for the quarter (**Q3FY15**) and the period ended 31 March 2015 (**YTD FY15**). The following are additional explanatory notes to be read in conjunction with the Report.

Positive Cashflow and EBITDA result for Q3FY15

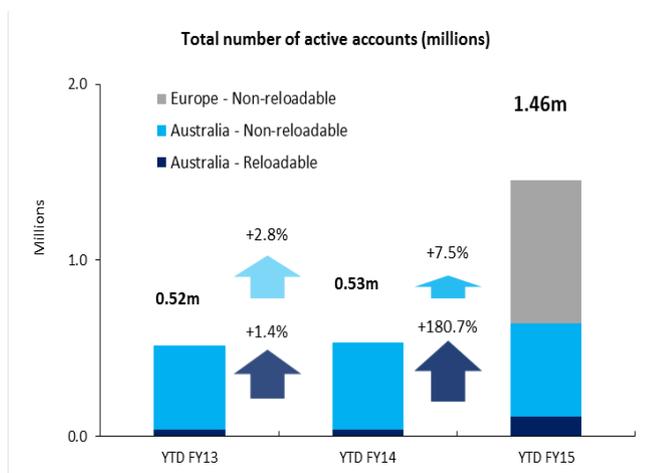
Emerchants are pleased to announce that the continued growth in the Australian product metrics and strong contribution from the Group's European operations, combined with management's ongoing focus on expenditure, has again delivered a positive EBITDA for the March 2015 Quarter and the year to date. The continued improvement in EBITDA has resulted in the Group generating its first positive operating cash flow in the current quarter totalling \$0.64M.

The year to date EBITDA results amount to \$0.61M and includes \$0.33M of one off acquisition expenses related to the 1 December 2014 acquisition of our European operation, SFUK.

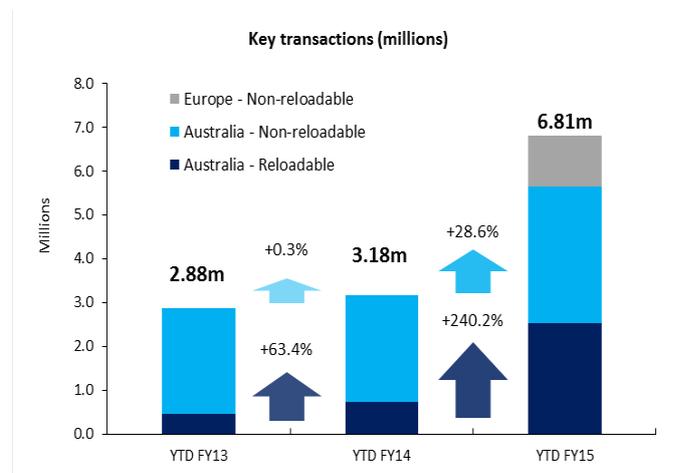
The acquisition of the European operation has further strengthened the Group's platform in the prepaid product industry from a global perspective. The European operation contributed significantly to the profit generation of the Group, injecting \$1.59M in EBITDA since 1 December 2014. The Group continues to focus on integration activities to achieve further synergies, including working on the deployment of its reloadable product solutions in the European regions. It is expected that these activities will be well progressed in the first half of FY16.

Group Operating Metrics

Strong growth was achieved across all operating metrics. Key metrics for the Group are reflected in the graphs below:



Graph 1: Active Accounts

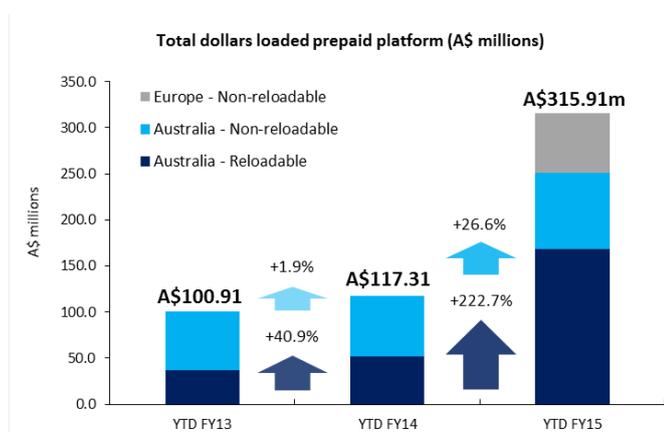


Graph 2: Key Transactions

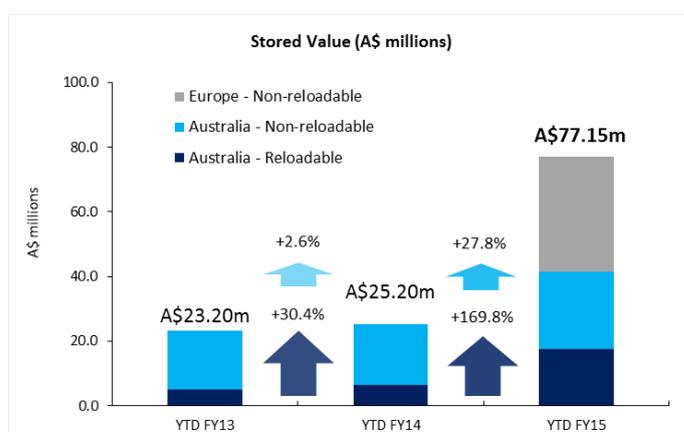
As Graph 1 above illustrates, for the FY15 YTD, strong growth continues to be generated in the Australian product range, particularly reloadable products with active accounts increasing by 180% against the prior comparative period. Europe contributed 0.81M active accounts to the portfolio at the end of March 2015 and this has seen the Group end the quarter and year to date with 1.46M active accounts (174% increase on FY14 YTD). As December is the key sales month for the European business, the growth in active accounts retracted marginally in the March 2015 quarter.

The Australian non-reloadable product continued to grow modestly, compared to the neutral growth guidance previously issued to the market. The Group will continue to work closely with our distribution partners to facilitate them in winning larger, more accretive opportunities.

Reloadable transactions also grew by 240% against the comparative period to 2.52M for the year to date. Non-reloadable transactions grew in comparison by 29% to 3.13M transactions as indicated in Graph 2 above. The European operations continue enhance the Group’s platform, contributing 1.15M of non-reloadable transaction for the year to date.



Graph 3



Graph 4

The quarter ended 31 March 2015 saw the Group finish strongly with \$315.91M in total funds loaded, a growth of 222% against the prior comparative period as shown in Graph 3 above. Reloadable transaction growth continues to spur the funds loaded contributing approximately \$168.40M in loaded funds. Australian non-reloadable product added \$82M (growth of 17.5%) and SFUK \$65.08M in loaded funds respectively year to date.

The Group ended Q3FY15 with total stored value of \$77.15M, an increase of 170% on the prior comparative period. The European operations ended the quarter with stored value of \$35.70M. As December is a key sales period for Europe, stored value decreased from the December 2014 quarter.

As shown in Graph 4 above, reloadable product injected \$17.56M in stored value, growing 170% against the same period last year. The achievement of this growth has largely been generated in a number of our clients’ card programs, including Ingogo, Ladbrokes, Sportsbet, Nimble and CC Investment Group (Cash Converters Franchisee).

Comparatively, Australian non-reloadable product increased 28% against the comparative period to contribute \$23.88M in stored value.

The Group’s persistent focus on its strategy of becoming a market leader in the reloadable prepaid debit industry is producing considerable increases in the underlying year on year growth rates of the key metrics. These achievements are an accomplishment generated from the Group’s continual investment in building on opportunities in the online wagering, consumer lending and disbursement segments.

A detailed summary of the Emerchants Group key operating metrics are detailed at Table 1 below.

Table 1: Emerchants key operating metrics

A\$ Thousands	Q3FY14 Quarter			FY14 Year-to-Date			Q3FY15 Quarter			FY15 Year-to-Date		
	Australia	Europe ¹	Group	Australia	Europe ¹	Group	Australia	Europe ¹	Group	Australia	Europe ¹	Group
A\$ Total Funds loaded²	37,563	-	37,563	117,309	-	117,309	94,052	27,856	121,908	250,831	65,081	315,912
<i>% Change on pcp</i>	<i>8%</i>	<i>n/a</i>	<i>8%</i>	<i>16%</i>	<i>n/a</i>	<i>16%</i>	<i>150%</i>	<i>n/a</i>	<i>225%</i>	<i>114%</i>	<i>n/a</i>	<i>169%</i>
Reloadable	20,291	-	20,291	52,184	-	52,184	67,832	-	67,832	168,404	-	168,404
<i>% Change on pcp</i>	<i>66%</i>	<i>n/a</i>	<i>66%</i>	<i>41%</i>	<i>n/a</i>	<i>41%</i>	<i>234%</i>	<i>n/a</i>	<i>234%</i>	<i>223%</i>	<i>-</i>	<i>223%</i>
Non-Reloadable / Gift	17,272	-	17,272	65,126	-	65,126	26,220	27,856	54,076	84,427	65,081	147,509
<i>% Change on pcp</i>	<i>(23%)</i>	<i>n/a</i>	<i>(23%)</i>	<i>272%</i>	<i>n/a</i>	<i>2%</i>	<i>52%</i>	<i>n/a</i>	<i>213%</i>	<i>27%</i>	<i>n/a</i>	<i>126%</i>
No. key transactions³	1004	-	1004	3,176	-	3,176	1,973	1,047	3,020	5,651	1,155	6,806
<i>% Change on pcp</i>	<i>0%</i>	<i>n/a</i>	<i>0%</i>	<i>10%</i>	<i>n/a</i>	<i>10%</i>	<i>49%</i>	<i>n/a</i>	<i>201%</i>	<i>78%</i>	<i>n/a</i>	<i>114%</i>
Reloadable	293	-	293	742	-	742	1,001	-	1,001	2,522	-	2,522
<i>% Change on pcp</i>	<i>74%</i>	<i>n/a</i>	<i>74%</i>	<i>63%</i>	<i>n/a</i>	<i>63%</i>	<i>242%</i>	<i>-</i>	<i>242%</i>	<i>240%</i>	<i>n/a</i>	<i>240%</i>
Non-Reloadable / Gift	711	-	711	2,434	-	2,434	972	1,047	2019	3,129	1,155	4,284
<i>% Change on pcp</i>	<i>(15%)</i>	<i>n/a</i>	<i>(15%)</i>	<i>0%</i>	<i>n/a</i>	<i>0%</i>	<i>37%</i>	<i>n/a</i>	<i>184%</i>	<i>25%</i>	<i>n/a</i>	<i>50%</i>
No. active accounts > A\$0⁴	532	-	532	532	-	532	641	814	1,455	641	814	1,455
<i>% Change on pcp</i>	<i>3%</i>	<i>n/a</i>	<i>3%</i>	<i>3%</i>	<i>n/a</i>	<i>3%</i>	<i>21%</i>	<i>n/a</i>	<i>174%</i>	<i>21%</i>	<i>n/a</i>	<i>174%</i>
Reloadable	40	-	40	40	-	40	112	-	112	112	-	112
<i>% Change on pcp</i>	<i>1%</i>	<i>n/a</i>	<i>1%</i>	<i>1%</i>	<i>n/a</i>	<i>1%</i>	<i>181%</i>	<i>n/a</i>	<i>181%</i>	<i>181%</i>	<i>n/a</i>	<i>181%</i>
Non-Reloadable / Gift	492	-	492	492	-	492	529	814	1,343	529	814	1,343
<i>% Change on pcp</i>	<i>3%</i>	<i>n/a</i>	<i>3%</i>	<i>3%</i>	<i>n/a</i>	<i>3%</i>	<i>8%</i>	<i>n/a</i>	<i>173%</i>	<i>8%</i>	<i>n/a</i>	<i>173%</i>
A\$ Stored Value⁵	25,197	-	25,197	25,197	-	25,197	41,444	35,702	77,146	41,444	35,702	77,146
<i>% Change on pcp</i>	<i>9%</i>	<i>n/a</i>	<i>9%</i>	<i>9%</i>	<i>n/a</i>	<i>9%</i>	<i>64%</i>	<i>n/a</i>	<i>206%</i>	<i>64%</i>	<i>n/a</i>	<i>206%</i>
Reloadable	6,508	-	6,508	6,508	-	6,508	17,559	-	17,556	17,559	-	17,559
<i>% Change on pcp</i>	<i>30%</i>	<i>n/a</i>	<i>30%</i>	<i>30%</i>	<i>n/a</i>	<i>30%</i>	<i>170%</i>	<i>n/a</i>	<i>170%</i>	<i>170%</i>	<i>n/a</i>	<i>170%</i>
Non-Reloadable / Gift	18,689	-	18,689	18,689	-	18,689	23,885	35,702	59,587	23,885	35,702	59,587
<i>% Change on pcp</i>	<i>3%</i>	<i>n/a</i>	<i>3%</i>	<i>3%</i>	<i>n/a</i>	<i>3%</i>	<i>28%</i>	<i>n/a</i>	<i>219%</i>	<i>28%</i>	<i>n/a</i>	<i>219%</i>

Positive EBITDA outlook for FY15

The Group expects to continue to build on the positive EBITDA achieved for Q3YTD. The Group's expectation is that it will deliver a positive EBITDA result for FY15 aided by the expansion of its Australian reloadable business across all market segments and seven months of earnings contribution from the European operations.

¹ The SFUK operations operating metrics are generated in British Pounds and Euros. For reporting purposes these metrics are disclosed in Australian dollars. Total funds loaded is translated at the average rate of the quarter and Stored Value at the closing rate at the end of the quarter.

² Total funds loaded onto prepaid accounts represents the total of initial and subsequent loads. This excludes any funds that clients have deposited with the Company's ADI and not loaded onto a prepaid account.

³ Key transactions constitute activity such as redemption or attempted redemption of prepaid value.

⁴ Number of active prepaid accounts is measured at the end of the period with a balance greater than \$0.00. Accounts that have expired, been made inactive or have no funds associated with them are excluded.

⁵ Total value on deposit for the prepaid portfolio is measured at the end of the period. This represents unredeemed stored value that is available for the account holder to redeem.

Positive Cash flow from Operations Q3 FY15

A summary of the Group's quarterly cash flow is included at Table 2 below. An overview of key cashflow movements are detailed below:

Cash outflows from operations

For Q3FY15, the Group generated a significant improvement in operational outflows compared to prior periods. An inaugural positive net cash inflow from operations of \$0.64M was generated for the quarter (Q3FY14: Net outflow (\$0.95M)). Year to date, the operational outflows were (\$0.76M), a \$1.65M improvement against the prior comparative period (Q3YTD FY14: Net Outflow \$2.41M).

As at 31 March 2015, the Group's consolidated cash balance was \$5.65M.

Cash outflows from investing activities

Investing activities for the quarter predominately related to the acquisition of a new (cloud based) ERP system which is currently being implemented and represents a one-off implementation cost. This project is due to be completed in early July 2015. This project will provide additional integration synergies between the Australian and European operations.

Cash inflows from financing activities

No financing activities occurred during Q3FY15. Year to date financing activities related to the acquisition of SFUK which were noted in the prior quarter reporting.

The Board of Directors consider the current funding and capital structure of the Group appropriate for the Company's operating outlook and therefore it is not expected that any additional financing activities will be required in remainder of the FY15 year.

The Directors are satisfied that the Company has adequate funding, that its current balance sheet is sound, and that the Company complies with Listing Rule 12.2.

Table 2: Quarterly cash flow summary

A\$ Thousands	Q3FY14 Quarter	FY14 Year-to-Date	Q3FY15 Quarter	FY15 Year-to-Date
Operations	(951)	(2,413)	637	(759)
<i>% Change on prior comparative period</i>	<i>(508%)</i>	<i>(13%)</i>	<i>166%</i>	<i>21%</i>
Investing	(97)	(629)	(272)	(11,379)
<i>% Change on prior comparative period</i>	<i>(72%)</i>	<i>(888%)</i>	<i>(281%)</i>	<i>(1808%)</i>
Financing	-	7,062	-	13,295
<i>% Change on prior comparative period</i>	<i>100%</i>	<i>283%</i>	<i>N/A</i>	<i>188%</i>
Total inflows (outflow)	(1,048)	4,020	365	1,157
Opening Cash	6,427	1,359	5288	4,496
Movement for the period	(1,048)	4,020	365	1,157
Closing Cash	5,379	5,379	5,653	5,653

-ENDS-

For more information, please contact:

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Emerchants Limited

ABN

93 104 757 904

Quarter ended ("current quarter")

31 March 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	3,741	6,228
1.2 Payments for:		
(a) staff costs	(1,704)	(4,420)
(b) advertising and marketing	(33)	(114)
(c) leased assets	(7)	(19)
(d) other working capital	(1,212)	(2,284)
(e) accounting and administrative services	-	-
(f) acquisition-related expenses *	(35)	(342)
(g) exploration expenditure	-	-
(h) software and systems infrastructure	(160)	(446)
(i) risk and compliance	(68)	(316)
(j) rent and utilities	(130)	(352)
1.3 Dividends received	-	
1.4 Interest and other items of a similar nature received	245	608
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	698
Net operating cash flows	637	(759)

* External acquisition costs relating to the acquisition of SFUK

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	637	(759)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	(12,450)
(b) equity investments	-	-
(c) intellectual property/intangible assets	(230)	(495)
(d) physical non-current assets	(42)	(50)
(e) other non-current assets	-	-
(f) cash included on consolidation of subsidiary	-	1,616
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other	-	-
Net investing cash flows	(272)	(11,379)
1.14 Total operating and investing cash flows	365	(12,138)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	14,000
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other – Share Issue costs	-	(705)
Net financing cash flows	-	13,295
Net increase (decrease) in cash held	365	1,157
1.21 Cash at beginning of quarter/year to date	5,288	4,496
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	5,653	5,653

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	226
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil

1.26 Explanation necessary for an understanding of the transactions

Payments to Executive Directors, Non-Executive Directors and Associates of the directors is broken down as follows:

\$000's

Directors and Executive Directors fees	212
Superannuation	14
Associates of the directors	-
Total	226

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Issue of 1.5m unlisted options to employees of subsidiary, Store Financial Services UK Limited (SFUK), under the Company's Employee Share Option Plan (ESOP) on the following principal terms:

1. Vesting in 3 equal tranches of 500,000 on 28 February 2016, 28 February 2017 and 28 February 2018;
2. Expiry date will be 30 June in each year the options vest;
3. Nil exercise price for all tranches; and
4. Subject to SFUK achieving EBITDA in each calendar year commencing in 2015 of AUD2 million (each a "performance hurdle").

Should the performance hurdle not be met in either tranches 1 or 2, the options will rollover to tranches 2 or 3 (as applicable). Where the performance hurdle for tranche 3 is not met, the options will be forfeited.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$'000	Amount used \$'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$'000	Previous quarter \$'000
4.1 Cash on hand and at bank	3,377	3,020
4.2 Deposits at call	2,276	2,268
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	5,653	5,288

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a)) N/A
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Director

Date: 28 April 2015

Print name: Tom Cregan

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.